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Soviet Arms Spending Gap Found Wider

By JOHN W. FINNEY

WASHINGTON, Oct. 22—At a time when the defense budget is in serious difficulty in Congress, the Defense Department is letting out new, still preliminary intelligence estimates suggesting that the Soviet Union is widening its lead over the United States in defense spending.

Defense Secretary James R. Schlesinger, through aides, has declined to discuss the estimates in any detail with reporters on the ground that they are still in a preliminary stage.

But at a news conference he called Monday to lash out at Congressional move to cut the budget, Mr. Schlesinger gave a glimpse of the new intelligence estimates, which he has apparently already relayed to Pentagon supporters in Congress for use in the forthcoming defense debate in the Senate.

Mr. Schlesinger said there were indications that in dollar terms the Soviet Union "may be outspending us by 50 per cent," if the cost of the American military pension system is excluded, and by approximately 30 per cent if pensions are included.

"A continuation of this trend," Mr. Schlesinger said, "will ultimately leave us in a position where no one can say that the United States has military power second to none."

Widening Gap

According to Mr. Schlesinger's calculations, the Soviet Union has doubled the defense spending gap this year. In Congressional testimony early this year, the Secretary, in analyzing the Soviet defense effort in 1974, estimated that in dollar terms the Soviet Union outspent the United States by 25 per cent, if military pensions of this nation were excluded.

Knowledgeable officials said that Mr. Schlesinger's projections were "within the ballpark" of preliminary estimates drafted within the intelligence community, although they suggested that the Defense Secretary may have rounded off the estimates with a little upward thrust.

At the same time, these officials said that the higher projections being cited by Mr. Schlesinger did not reflect any dramatic, unexpected upsurge in the Soviet military program.

Rather, they said, the estimated growth in Soviet defense spending reflected a continuation of past trends, a large investment in a new generation of intercontinental ballistic missiles as well as inclusion of some programs not previously considered in calculations of the Soviet defense effort.

Because of the difficulty of converting rubles into dollars as well as the secrecy surrounding the Soviet defense budget, the intelligence community does not attempt to make exact estimates of how much the Soviet Union is spending on defense. Instead, it has developed two models—one based on dollars, the other rubles—which are designed to give some relative ideas on

the magnitude of the Soviet defense effort.

In the dollar model, the intelligence community takes all the Soviet weapons, forces and research and attempts to determine how much it would cost the United States to finance a comparable program.

The purpose of this model is to give American policy-makers some insight into the size of the Soviet military effort.

At the same time, as noted by economists on the Congressional Joint Economic Committee who have studied the intelligence estimates, this approach tends to exaggerate the cost of the Soviet defense program.

In effect, these economists say, an inflationary bias is built into the estimates when attempts are made to measure the Soviet military establishment by how much it would cost the United States, which has much higher labor costs than the Soviet Union. For example, an American soldier is paid far more than a Soviet soldier, yet under the model the cost of the 4 million-man Soviet military establishment is judged by American pay standards.

Thus, under the dollar model the Soviet Union spent \$93-billion on defense in 1974 while the United States spent \$84-billion.

Measured by the dollar model, Soviet defense expenditures have been increasing at an average annual rate of 3 per cent since 1960 and began to exceed American expenditures in 1970.

Between 1971 and 1973, Soviet defense expenditures leveled off as the Soviet Union completed the buildup of its first generation of ballistic missiles. They started rising again, according to intelligence estimates, in 1973-74 as the Soviet

Union began deploying a new generation of missiles and now are apparently increasing at an annual rate of 5 per cent.

At the same time, American defense expenditures, as measured by constant, or noninflated, dollars, have been declining at an annual rate of 1.5 per cent in recent years, partly because of the impact of inflation and partly because of Congressional reductions.

The disparity between the relative defense efforts of the United States and the Soviet Union has been compounded by the rapidly rising costs of the American Military pension system, which have increased 400 per cent in the last decade and now consume about 9 per cent of the defense budget. Pensions are not included in the Soviet military budget.

In the ruble model, the intelligence community attempts to put a ruble price tag on the cost of the Soviet military establishment. The purpose is to give American policy-makers some idea as to how Soviet leaders might view the burden of the Soviet defense effort, in terms of the over-all Soviet economy.

There are indications that the intelligence community has been greatly understating the ruble cost of the Soviet defense program and is revising upward its estimates.

One effect would be to increase estimates on how much of the Soviet gross national product is going into defense. A year ago the Central Intelligence Agency estimated the Soviet Union was spending between 6 and 10 per cent of its gross national product on defense. The United States is spending slightly less than 6 per cent of a much larger gross national product.

This is the subject of our talk w/

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